

UNITED STATES BANKRUPTCY COURT DISTRICT OF NEW JERSEY
George J. Gerro, Esq. (Cal. Bar No. 325168) 530 S. Glenoaks Blvd. Suite 200 Burbank, CA 91502 <i>Pro Se Creditor</i>
In Re: BLOCKFI INC., <i>et al.</i> , ¹ Debtors.

U.S. BANKRUPTCY COURT
FILED
TRENTON, NJ
2024 AUG 15 A 10:30
JENNIFER A. NAUGHTON
BY: H. Gerro
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Case No.: 22-19361 (MBK)
(Jointly Administered)

Chapter 11

Judge: The Honorable Michael B. Kaplan

**GEORGE J. GERRO'S OBJECTION TO DEBTOR BLOCKFI LENDING LLC'S
REQUEST TO HOLD ZERO DOLLARS (\$0) IN RESERVE FOR GERRO'S CLAIM
CURRENTLY PENDING APPEAL BEFORE THE UNITED STATES FEDERAL
COURT FOR THE DISTRICT OF NEW JERSEY, ENTITLED *IN RE BLOCKFI*
(*GERRO V. BLOCKFI LENDING LLC*) CASE NO. 23-CV-18740**

Creditor George J. Gerro's ("Gerro") hereby objects to Debtors' *Notice of Disputed Claims Reserve* [Docket No. 2364] filed in the above-entitled bankruptcy case on August 9, 2024 ("Notice"). The Notice states that "objections to this Notice must be filed with the Court by August 16, 2024 at 4:00 p.m. (prevailing Eastern Time). Notice, p. 2. George J. Gerro (contact information above) has the authority to reconcile, settle, or otherwise resolve the Objection.

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: BlockFi Inc. (0015); BlockFi Trading LLC. (2487); BlockFi Lending LLC (5017); BlockFi Wallet LLC (3231); BlockFi Ventures LLC (9937); BlockFi International Ltd. (N/A); BlockFi Investment Products LLC (2422); BlockFi Services, Inc. (5965) and BlockFi Lending II LLC (0154). The location of the Wind-Down Debtors' service address is c/o M3 Partners, 1700 Broadway, 19th Floor, New York, NY 10019.

I. Introduction

1. Gerro respectfully objects to BlockFi's attempt to reserve nothing, Zero Dollars (\$0), for future satisfaction of Gerro's claim. First, Gerro's claim disallowance is currently pending appeal before the United States District Court in New Jersey. *In re BlockFi Inc. (Gerro v. BlockFi Lending LLC)* D.N.J. Case No. 23-cv-18740, filed Sept. 8, 2023. BlockFi's \$0 reserve threatens to undermine the reviewing court's appellate jurisdiction, and its ability to render effective relief. Second, BlockFi discriminates arbitrarily, capriciously, and in bad faith by refusing to set a reserve for Gerro while setting a reserve for similarly situated creditors. Third, on balance, the prejudice to Gerro would outweigh any potential prejudice to any other creditors. Fourth, establishing a reserve will preserve BlockFi's professional fees, conserve debtor's resources, and promote judicial economy.

A. BlockFi Should Not Undermine the Appellate Jurisdiction of the Reviewing Court by Setting a \$0 Reserve for Claim for Which Disallowance is Pending Appeal.

2. The Debtors' \$0 reserve for Gerro's claim will undermine the appellate jurisdiction of the United States Court for the District of New Jersey. *Gerro v. BlockFi Lending LLC* has been fully briefed and is presently awaiting a decision of the District Court. If BlockFi reduces its claim reserve for Gerro's claim to \$0, then BlockFi will interfere with the District Court's ability to render effective relief.

B. BlockFi is establishing reserves arbitrarily, capriciously, and in bad faith.

3. BlockFi intends to establish \$0 in reserve for Gerro's claim, but a full reserve for at least two other similarly situated creditors, e.g. George Wynn and Chad Main.

George Gerro	15248	\$0	BlockFi Lending
George Wynns	3052	\$26,152.78 ⁱⁱⁱ	BlockFi Lending
John VanTubergen	7233	\$19.07	BlockFi Inc.
Chad Main	5647	\$11,335.33 ^{iv}	BlockFi Lending

See Notice, page 7.

The above-excerpt shows that BlockFi intends upon maintaining a full reserve for two creditors similarly situated to Gerro. For example, George Wynn's claim was disallowed by this Bankruptcy Court (Docket No. 1841) and is currently pending appeal (*Wynn v. BlockFi Inc.*, D.N.J. Case No. 3:23-cv-23282-ZNQ, filed Dec. 12, 2023). Chad Main's claim was also disallowed (Docket No. 2232) and is pending appeal (*Main v. BlockFi Inc.*, D.N.J. Case No. 3:24-cv-05592-ZNQ). BlockFi cannot discriminate against Gerro by refusing to maintain a sufficient reserve.

C. BlockFi's Creditors Will Not be Prejudiced by Establishing a Reserve for Gerro

4. On one hand, failure to maintain a reserve will prejudice Gerro. On the other hand, saving a reserve will not prejudice BlockFi's creditors. BlockFi recently announced that its unsecured customer creditors will be paid "100%" of their claims. See Third Status Report to Creditors and Announcement of Planned 100% Distribution on Customer Claims [Docket No. 2357]. Other creditors face a potential delay, i.e. a minor inconvenience. Gerro faces the potential prejudice of a permanent loss, i.e. a right without a remedy.

5. A reserve for Gerro's request will not dissipate reserved funds. Rather, the reserve will be temporarily held during the pendency of the appellate process. A decision from the District Court is imminent.

**D. Establishing a Reserve for Gerro's Claim Will Conserve Judicial Resources,
Professional Fees and the Debtor's Estate**

6. This Court will conserve judicial resources, professional fees and BlockFi's estate by ordering the establishment of a reserve for the face amount of Gerro's claim. Otherwise, this issue may be presented, briefed, and argued before the District of New Jersey and/or the United States Courts of Appeal for the Third Circuit.

II. Conclusion

7. A \$0 reserve will intrude upon appellate jurisdiction, unfairly discriminate between similarly situated creditors, and severely prejudice Gerro. A full reserve will minimize the need for further motion practice, appellate review, all with immaterial prejudice to other creditors. Gerro respectfully requests that this Bankruptcy Court sustain his objection, or order that BlockFi reserve the face amount of Gerro's Claim No. 15248 pending the final resolution of the appellate process.

Burbank, California
Dated: August 14, 2024


/s/ George J. Gerro

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